

FIRST REGULAR SESSION
[P E R F E C T E D]
SENATE SUBSTITUTE FOR
SENATE COMMITTEE SUBSTITUTE FOR
SENATE BILL NO. 437
97TH GENERAL ASSEMBLY

INTRODUCED BY SENATOR PEARCE.

Offered April 23, 2013.

Senate Substitute adopted, April 23, 2013.

Taken up for Perfection April 24, 2013. Bill declared Perfected and Ordered Printed, as amended.

TERRY L. SPIELER, Secretary.

1808S.10P

AN ACT

To repeal sections 163.191 and 173.616, RSMo, and to enact in lieu thereof thirteen new sections relating to higher education.

Be it enacted by the General Assembly of the State of Missouri, as follows:

Section A. Sections 163.191 and 173.616, RSMo, are repealed and thirteen
2 new sections enacted in lieu thereof, to be known as sections 163.191, 173.616,
3 173.1500, 173.1505, 173.1510, 173.1515, 173.1520, 173.1525, 173.1527, 173.1529,
4 173.1530, 173.1532, and 173.1535, to read as follows:

163.191. 1. Each year public community colleges in the aggregate shall
2 be eligible to receive from state funds, if state funds are available and
3 appropriated, an amount [up to but not more than fifty percent] of the state
4 community colleges' planned operating costs as determined by the [department
5 of] higher education **funding model under sections 173.1500 to 173.1535**. As
6 used in this subsection, the term "year" means from July first to June thirtieth
7 of the following year. As used in this subsection, the term "operating costs"
8 means all costs attributable to current operations, including all direct costs of
9 instruction, instructors' and counselors' compensation, administrative costs, all
10 normal operating costs and all similar noncapital expenditures during any year,
11 excluding costs of construction of facilities and the purchase of equipment,
12 furniture, and other capital items authorized and funded in accordance with

EXPLANATION—Matter enclosed in bold-faced brackets [thus] in this bill is not enacted and is intended to be omitted in the law.

13 subsection 2 of this section. Operating costs shall be computed in accordance
14 with accounting methods and procedures to be specified by the department of
15 higher education. The department of higher education shall review all
16 institutional budget requests and prepare appropriation recommendations
17 annually for the community colleges under the supervision of the
18 department. The department's budget request shall include a recommended level
19 of funding. Distribution of appropriated funds to community college districts
20 shall be in accordance with the [community college resource allocation
21 model. This model shall be developed and revised as appropriate cooperatively
22 by the community colleges and the department of higher education. The
23 department of higher education shall recommend the model to the coordinating
24 board for higher education for their approval. The core funding level for each
25 community college shall initially be established at an amount agreed upon by the
26 community colleges and the department of higher education. This amount will
27 be adjusted annually for inflation, limited growth, and program improvements in
28 accordance with the resource allocation model starting with fiscal year 1993]
29 **higher education funding model established in sections 173.1500 to**
30 **173.1535, using the calculation in subsection 1 of section 173.1515, with**
31 **each community college's appropriation calculated separately.** The
32 department of higher education shall request new and separate state aid funds
33 for any new districts for their first six years of operation. The request for the
34 new districts shall be based upon the same level of funding being provided to the
35 existing districts, and should be sufficient to provide for the growth required to
36 reach a mature enrollment level. [The department of higher education will be
37 responsible for evaluating the effectiveness of the resource allocation model and
38 will submit a report to the speaker of the house of representatives and president
39 pro tem of the senate by November 1997, and every four years thereafter.]

40 2. In addition to state funds received for operating purposes, each
41 community college district shall be eligible to receive an annual appropriation,
42 exclusive of any capital appropriations, for the cost of maintenance and repair of
43 facilities and grounds, including surface parking areas, and purchases of
44 equipment and furniture. Such funds shall not exceed in any year an amount
45 equal to ten percent of the state appropriations, exclusive of any capital
46 appropriations, to community college districts for operating purposes during the
47 most recently completed fiscal year. The department of higher education may
48 include in its annual appropriations request the necessary funds to implement

49 the provisions of this subsection and when appropriated shall distribute the funds
50 to each community college district as appropriated. The department of higher
51 education appropriations request shall be for specific maintenance, repair, and
52 equipment projects at specific community college districts, shall be in an amount
53 of fifty percent of the cost of a given project as determined by the coordinating
54 board and shall be only for projects which have been approved by the coordinating
55 board through a process of application, evaluation, and approval as established
56 by the coordinating board. The coordinating board, as part of its process of
57 application, evaluation, and approval, shall require the community college district
58 to provide proof that the fifty-percent share of funding to be defrayed by the
59 district is either on hand or committed for maintenance, repair, and equipment
60 projects. Only salaries or portions of salaries paid which are directly related to
61 approved projects may be used as a part of the fifty-percent share of funding.

62 3. School districts offering two-year college courses pursuant to section
63 178.370 on October 31, 1961, shall receive state aid pursuant to subsections 1 and
64 2 of this section if all scholastic standards established pursuant to sections
65 178.770 to 178.890 are met.

66 4. In order to make postsecondary educational opportunities available to
67 Missouri residents who do not reside in an existing community college district,
68 community colleges organized pursuant to section 178.370 or sections 178.770 to
69 178.890 shall be authorized pursuant to the funding provisions of this section to
70 offer courses and programs outside the community college district with prior
71 approval by the coordinating board for higher education. The classes conducted
72 outside the district shall be self-sustaining except that the coordinating board
73 shall promulgate rules to reimburse selected out-of-district instruction only where
74 prior need has been established in geographical areas designated by the
75 coordinating board for higher education. Funding for such off-campus instruction
76 shall be included in the appropriation recommendations, shall be determined by
77 the general assembly and shall continue, within the amounts appropriated
78 therefor, unless the general assembly disapproves the action by concurrent
79 resolution.

80 5. A "community college" is an institution of higher education deriving
81 financial resources from local, state, and federal sources, and providing
82 postsecondary education primarily for persons above the twelfth grade age level,
83 including courses in:

84 (1) Liberal arts and sciences, including general education;

85 (2) Occupational, vocational-technical; and

86 (3) A variety of educational community services.

87 Community college course offerings lead to the granting of certificates, diplomas,
88 and/or associate degrees, but do not include baccalaureate or higher degrees.

89 6. When distributing state aid authorized for community colleges, the
90 state treasurer may, in any year if requested by a community college, disregard
91 the provision in section 30.180 requiring the state treasurer to convert the
92 warrant requesting payment into a check or draft and wire transfer the amount
93 to be distributed to the community college directly to the community college's
94 designated deposit for credit to the community college's account.

173.616. 1. The following schools, training programs, and courses of
2 instruction shall be exempt from the provisions of sections 173.600 to 173.618:

3 (1) A public institution;

4 (2) Any college or university represented directly or indirectly on the
5 advisory committee of the coordinating board for higher education as provided in
6 subsection 3 of section 173.005;

7 (3) An institution that is certified by the board as an "approved private
8 institution" under subdivision (2) of section 173.1102;

9 (4) A not-for-profit religious school that is accredited by the American
10 Association of Bible Colleges, the Association of Theological Schools in the United
11 States and Canada, or a regional accrediting association, such as the North
12 Central Association, which is recognized by the Council on Postsecondary
13 Accreditation and the United States Department of Education; and

14 (5) Beginning July 1, 2008, all out-of-state public institutions of higher
15 education, as such term is defined in subdivision (12) of subsection 2 of section
16 173.005.

17 2. The coordinating board shall exempt the following schools, training
18 programs and courses of instruction from the provisions of sections 173.600 to
19 173.618:

20 (1) A not-for-profit school owned, controlled and operated by a bona fide
21 religious or denominational organization which offers no programs or degrees and
22 grants no degrees or certificates other than those specifically designated as
23 theological, bible, divinity or other religious designation;

24 (2) A not-for-profit school owned, controlled and operated by a bona fide
25 eleemosynary organization which provides instruction with no financial charge
26 to its students and at which no part of the instructional cost is defrayed by or

27 through programs of governmental student financial aid, including grants and
28 loans, provided directly to or for individual students;

29 (3) A school which offers instruction only in subject areas which are
30 primarily for avocational or recreational purposes as distinct from courses to
31 teach employable, marketable knowledge or skills, which does not advertise
32 occupational objectives and which does not grant degrees;

33 (4) A course of instruction, study or training program sponsored by an
34 employer for the training and preparation of its own employees;

35 (5) A course of study or instruction conducted by a trade, business or
36 professional organization with a closed membership where participation in the
37 course is limited to bona fide members of the trade, business or professional
38 organization, or a course of instruction for persons in preparation for an
39 examination given by a state board or commission where the state board or
40 commission approves that course and school;

41 (6) A school or person whose clientele are primarily students aged sixteen
42 or under.

43 3. A school which is otherwise licensed and approved under and pursuant
44 to any other licensing law of this state shall be exempt from sections 173.600 to
45 173.618, but a state certificate of incorporation shall not constitute licensing for
46 the purpose of sections 173.600 to 173.618.

47 4. Any school, training program or course of instruction exempted herein
48 may elect by majority action of its governing body or by action of its director to
49 apply for approval of the school, training program or course of instruction under
50 the provisions of sections 173.600 to 173.618. **Notwithstanding the**
51 **provisions of subsections 1 and 2 of section 173.606 to the contrary, any**
52 **approval granted under this section to an otherwise exempt school,**
53 **training program, or course of instruction shall expire at the end of**
54 **five years.** Upon application to and approval by the coordinating board, such
55 school training program or course of instruction may become exempt from the
56 provisions of sections 173.600 to 173.618 at any subsequent time, except the
57 board shall not approve an application for exemption if the approved school is
58 then in any status of noncompliance with certification standards and a reversion
59 to exempt status shall not relieve the school of any liability for indemnification
60 or any penalty for noncompliance with certification standards during the period
61 of the school's approved status.

173.1500. As used in sections 173.1500 to 173.1535, unless the

2 context requires otherwise, the following terms shall mean:

3 (1) "Associate's institution", an institution with a Carnegie
4 classification of associate's;

5 (2) "Baccalaureate institution", an institution with a Carnegie
6 classification of baccalaureate college;

7 (3) "Carnegie classification", an institutional classification coding
8 structure developed by the Andrew W. Carnegie Foundation for the
9 advancement of teaching, including updates made in 2010;

10 (4) "Core operating expenditures", total expenditures for the
11 essential education activities of the institution, which shall include the
12 institution's expenditures for academic support, institutional support,
13 instruction, public service, research, and student services;

14 (5) "Headcount", the sum of students enrolled for credit during
15 a twelve-month period with each student counted only once during the
16 reporting period, regardless of when the student enrolled;

17 (6) "Institution" or "institution of higher education" or "public
18 institution" or "public institution of higher education", any college or
19 university established pursuant to chapter 172, chapter 174, chapter
20 175, sections 178.631 to 178.640, or sections 178.770 to 178.891;

21 (7) "Integrated Postsecondary Education Data System" or
22 "IPEDS", the system of interrelated educational data surveys reported
23 annually to the National Center for Education Statistics of the United
24 States Department of Education by every institution participating in
25 the federal student financial aid programs;

26 (8) "Master's classified institution", an institution with a Carnegie
27 classification of master's college or university;

28 (9) "Operating budget estimate", the dollar amount derived from
29 the calculation model in section 173.1515, containing the calculated
30 operating expenditures and performance funding for which an
31 institution is eligible under section 173.1520, which form the basis for
32 the line item operating appropriations for a public institution;

33 (10) "Other institutional expenditures", expenditures which are
34 not included in core operating expenditures and therefore not directly
35 appropriated for through the major line item operating appropriation,
36 including but not limited to scholarships, auxiliary enterprises,
37 hospital services, and independent operations;

38 (11) "Peer comparison group", the public institutions from the

39 peer states that are designated by the same Carnegie classification as
40 a Missouri institution's sector, with the exceptions of Linn State
41 Technical College and Truman State University;

42 (12) "Peer states", the group of ten states comprised of the five
43 states next higher than Missouri and the five states next lower than
44 Missouri, based on rank-ordering of all states according to the Bureau
45 of Economic Analysis based on the 2011 midyear population estimates
46 of the census data for the per capita personal income, except for
47 institutions categorized in the statewide liberal arts and sciences
48 institution sector, for which peer states shall be selected as provided
49 in subsection 4 of section 173.1505. The rank-ordering of all states
50 according to the Bureau of Economic Analysis using midyear
51 population estimates of the census data for the per capita personal
52 income shall be recalculated decennially based on the previous census;

53 (13) "Pell threshold", the median value of the sector's peer
54 comparison group's rank ordered list of institutions' percentage of
55 students receiving a Pell grant;

56 (14) "Pell weight", the sum of one and the institution's value over
57 the Pell threshold;

58 (15) "Performance funding", that portion of the annual operating
59 budget estimate that is derived from applying the institutional
60 performance measures as approved by the coordinating board for
61 higher education to the percentage of funding designated by the
62 general assembly;

63 (16) "Research classified institution", an institution with a
64 Carnegie classification of a research university;

65 (17) "Sector", the designation of a public institution, based on
66 Carnegie classification, as associate's, baccalaureate, master's, or
67 research, with the exceptions of:

68 (a) Linn State Technical College, which is designated in the
69 statewide technical education institution sector; and

70 (b) Truman State University, which is designated in the
71 statewide liberal arts and sciences institution sector;

72 (18) "Sector specific modifier", the median of the rank ordered
73 list of institutions in a sector peer comparison group using, for each
74 institution, the quotient of:

75 (a) Each institution's state appropriation; and

76 **(b) The sum of academic support and institutional support and**
77 **instruction and public service and research and student services;**

78 **(19) "Standardized rate per credit hour", the median value of**
79 **each peer comparison group's rank ordered list of rates per credit hour**
80 **using the quotient of:**

81 **(a) Each peer institution's instruction expenditure; and**

82 **(b) The number of each institution's unweighted student credit**
83 **hours;**

84 **(20) "Target funding level", the state share of the operating**
85 **budget estimate for institutions;**

86 **(21) "Weighted student credit hours", the product of an**
87 **institution's number of completed credit hours and the appropriate**
88 **weight assigned to such credit hours by section 173.1510.**

173.1505. 1. The public institutions of higher education shall be
2 **categorized into sectors in the following manner:**

3 **(1) The associate's sector shall include the community colleges**
4 **and the West Plains campus of Missouri State University;**

5 **(2) The statewide technical education institution sector shall**
6 **include Linn State Technical College;**

7 **(3) The baccalaureate sector shall include Harris-Stowe State**
8 **University, Missouri Southern State University, and Missouri Western**
9 **State University;**

10 **(4) The master's sector shall include Lincoln University, Missouri**
11 **State University, Northwest Missouri State University, Southeast**
12 **Missouri State University, and the University of Central Missouri;**

13 **(5) The statewide liberal arts and sciences institution sector**
14 **shall include Truman State University; and**

15 **(6) The research sector shall include the University of Missouri.**

16 **2. If the Carnegie classification of the public institutions change,**
17 **the sectors identified in subsection 1 of this section shall be updated to**
18 **reflect the change in Carnegie classification.**

19 **3. The peer comparison group for Linn State Technical College**
20 **shall consist of peer institutions chosen by the coordinating board for**
21 **higher education nationwide from state supported institutions with**
22 **similar missions, degree programs, certificates, and credentials offered.**

23 **4. The peer comparison group for Truman State University shall**
24 **consist of institutions with similar missions, degree programs, and a**

25 similar level of selectivity in admissions requirements, chosen by the
26 coordinating board for higher education from the group of thirty states
27 comprised of the fifteen states next higher than Missouri and the
28 fifteen states next lower than Missouri, based on rank-ordering of all
29 states according to the Bureau of Economic Analysis based on the 2011
30 midyear population estimates of the census data for the per capita
31 personal income, or an equal number of states above and below
32 Missouri in order to obtain a minimum of ten institutions in the
33 statewide liberal arts and sciences institution sector peer comparison
34 group. The rank-ordering of all states according to the Bureau of
35 Economic Analysis using midyear population estimates of the census
36 data for the per capita personal income shall be recalculated
37 decennially based on the previous census.

173.1510. 1. All courses completed at a public institution of
2 higher education shall be weighted based on their discipline and level.

3 2. Disciplines shall be divided into clusters in the following
4 manner:

5 (1) Cluster 1 shall include:

6 (a) Basic skills;

7 (b) Citizenship activities;

8 (c) Communications, journalism and related programs;

9 (d) Communications technologies, communications technicians
10 and support services;

11 (e) English language and literature and letters;

12 (f) Family and consumer sciences and human sciences;

13 (g) Foreign languages, literature, and linguistics;

14 (h) Health-related knowledge and skills;

15 (i) History;

16 (j) Interpersonal and social skills;

17 (k) Leisure and recreational activities;

18 (l) Liberal arts and sciences, general studies and humanities;

19 (m) Mathematics and statistics;

20 (n) Parks, recreation, leisure and fitness studies;

21 (o) Personal and culinary services;

22 (p) Personal awareness and self-improvement;

23 (q) Philosophy and religious studies;

24 (r) Psychology;

- 25 (s) Security and protective services;
- 26 (t) Social sciences;
- 27 (u) Technology education and industrial arts;
- 28 (2) Cluster 2 shall include:
- 29 (a) Area, ethnic, cultural and gender studies;
- 30 (b) Business, management, marketing and related support
31 services;
- 32 (c) Education;
- 33 (d) Military technologies;
- 34 (e) Physical sciences;
- 35 (f) Reserve officers training (ROTC);
- 36 (g) Science technology and technicians;
- 37 (h) Theology and religious vocation;
- 38 (i) Visual and performing arts;
- 39 (3) Cluster 3 shall include:
- 40 (a) Architecture and related services;
- 41 (b) Biological and biomedical sciences;
- 42 (c) Computer and information sciences and support services;
- 43 (d) Construction trades;
- 44 (e) Engineering technologies and technicians;
- 45 (f) Mechanic and repair technologies and technicians;
- 46 (g) Precision production;
- 47 (h) Public administration and social service professions;
- 48 (4) Cluster 4 shall include:
- 49 (a) Agriculture, agricultural operations and related sciences;
- 50 (b) Agricultural sciences;
- 51 (c) All other health professions and related sciences not
52 otherwise identified in this subdivision;
- 53 (d) Allied health and medical assisting;
- 54 (e) Library sciences;
- 55 (f) Multi- and interdisciplinary studies;
- 56 (g) Natural resources and conservation;
- 57 (h) Nursing;
- 58 (i) Pharmacy;
- 59 (j) Podiatric medicine (DPM);
- 60 (k) Rehabilitation and therapeutic professions;
- 61 (l) Transportation and materials moving;

62 **(5) Cluster 5 shall include:**

63 **(a) Engineering; and**

64 **(b) Legal professions and studies;**

65 **(6) Cluster 6 shall include:**

66 **(a) Dentistry;**

67 **(b) Medicine (MD);**

68 **(c) Optometry (OD);**

69 **(d) Osteopathic medicine (DO);**

70 **(e) Veterinary medicine (DVM).**

71 **3. Course levels shall be divided in the following manner:**

72 **(1) Lower division;**

73 **(2) Upper division;**

74 **(3) Master's or specialist;**

75 **(4) First professional;**

76 **(5) Doctoral.**

77 **4. The classification of a course as lower division or upper**
78 **division shall be determined by the institution's classification and**
79 **numbering of such course and shall be subject to the review and**
80 **approval by the coordinating board for higher education.**

81 **5. Weights for courses in the lower division shall be:**

82 **(1) Cluster 1, 1.00;**

83 **(2) Cluster 2, 1.51;**

84 **(3) Cluster 3, 1.84;**

85 **(4) Cluster 4, 2.19;**

86 **(5) Cluster 5, 3.34.**

87 **6. Weights for courses in the upper division shall be:**

88 **(1) Cluster 1, 1.50;**

89 **(2) Cluster 2, 2.26;**

90 **(3) Cluster 3, 2.76;**

91 **(4) Cluster 4, 3.28;**

92 **(5) Cluster 5, 5.01.**

93 **7. Weights for courses at the master's or specialist level shall be:**

94 **(1) Cluster 1, 2.10;**

95 **(2) Cluster 2, 3.17;**

96 **(3) Cluster 3, 3.86;**

97 **(4) Cluster 4, 4.60;**

98 **(5) Cluster 5, 7.01.**

- 99 **8. Weights for courses at the first professional level shall be:**
100 **(1) Cluster 4, 5.48;**
101 **(2) Cluster 5, 8.35;**
102 **(3) Cluster 6, 10.02.**
- 103 **9. Weights for courses at the doctoral level shall be:**
104 **(1) Cluster 1, 3.00;**
105 **(2) Cluster 2, 4.53;**
106 **(3) Cluster 3, 5.52;**
107 **(4) Cluster 4, 6.57;**
108 **(5) Cluster 5, 10.02.**
- 109 **10. The coordinating board for higher education shall have**
110 **authority to assign weights to courses based on discipline for any**
111 **discipline that is not addressed by this section. The coordinating board**
112 **shall assign such weight through the promulgation of an administrative**
113 **rule.**
- 114 **11. The coordinating board for higher education shall review the**
115 **disciplines, clusters, and weighting values every five years and shall**
116 **make recommendations to the general assembly on their revision in**
117 **academic year 2018-2019 and every five years thereafter.**
- 173.1515. 1. The state share of the operating budget estimate for**
2 **each institution shall be calculated as the product of:**
3 **(1) The sum of the institution's totals for academic support and**
4 **institutional support and instruction and public service and research**
5 **and student services; and**
6 **(2) The sector-specific modifier.**
- 7 **2. Academic support shall be calculated as the product of:**
8 **(1) The sum of instruction and public service and research; and**
9 **(2) An institution's sector peers' median percentage for academic**
10 **support expenditures relative to the sum of an institution's**
11 **expenditures for instruction and public service and research.**
- 12 **3. Institutional support shall be calculated as the product of:**
13 **(1) The sum of academic support and instruction and public**
14 **service and research and student services; and**
15 **(2) The sector peers' median percentage for institutional support**
16 **expenditures relative to expenditures in academic support, instruction,**
17 **public service, research, and student services.**
- 18 **4. Instruction shall be calculated as the product of:**

19 **(1) The standardized rate per credit hour for the sector in which**
20 **an institution is classified; and**

21 **(2) Weighted student credit hours; and**

22 **(3) The institution's Pell weight, if any.**

23 **5. Public service shall be calculated as the product of:**

24 **(1) The median of the institution's sector peers' public service**
25 **expenditures by headcount; and**

26 **(2) The institution's headcount.**

27 **6. Research shall be calculated as the product of:**

28 **(1) The sponsored research expenditures incurred by the**
29 **institution in the prior fiscal year; and**

30 **(2) Twenty-five-hundredths.**

31 **7. Student services shall be calculated as the product of:**

32 **(1) The median of student services expenditures by headcount**
33 **for an institution's sector peers; and**

34 **(2) The institution's headcount.**

173.1520. 1. When the general assembly appropriates funds for
2 **public institutions of higher education during the appropriations**
3 **process, ten percent of each institution's funding shall be earmarked**
4 **and designated as performance funding and shall be identified as a**
5 **separate line item under that institution in the higher education**
6 **appropriations bill.**

7 **2. Performance funds shall be directed into the "Higher**
8 **Education Performance Fund".**

9 **3. The coordinating board for higher education shall develop and**
10 **adopt institutional performance measures for each institution, in**
11 **collaboration with the institutions, by July 1, 2014, that shall be used**
12 **for purposes of this section. Five institutional performance measures**
13 **shall be adopted for each institution. The coordinating board shall**
14 **update and revise the institutional performance measures every five**
15 **years beginning in academic year 2019-2020.**

16 **4. Annually, for an institution to receive the portion of its**
17 **funding that has been earmarked and designated as performance**
18 **funding, it shall satisfy the institutional performance measures adopted**
19 **by the coordinating board for higher education. If an institution**
20 **satisfies all of its institutional performance measures, the coordinating**
21 **board for higher education shall authorize the release of the full**

22 amount of the institution's funding that has been earmarked and
23 designated as performance funding. If an institution satisfies at least
24 one, but not all, of its institutional performance measures, the
25 coordinating board for higher education shall authorize the release of
26 an amount of funds equal to the product of:

27 (1) The quotient of the number of institutional performance
28 measures satisfied by the institution and five; and

29 (2) The amount of the institution's funds earmarked and
30 designated as performance funding.

31 5. There is hereby created in the state treasury the "Higher
32 Education Performance Fund", which shall consist of money collected
33 under this section. The coordinating board for higher education shall
34 administer the fund. The state treasurer shall be custodian of the fund.
35 In accordance with sections 30.170 and 30.180, the state treasurer may
36 approve disbursements. The fund shall be a dedicated fund and, upon
37 appropriation, money in the fund shall be used solely for the
38 administration of this section. Any moneys remaining in the fund at
39 the end of the biennium shall revert to the credit of the general
40 revenue fund. The state treasurer shall invest moneys in the fund in
41 the same manner as other funds are invested. Any interest and moneys
42 earned on such investments shall be credited to the fund.

43 6. The coordinating board for higher education shall promulgate
44 rules and regulations to implement the provisions of sections 173.1500
45 to 173.1535.

46 7. Any rule or portion of a rule, as that term is defined in section
47 536.010 that is created under the authority delegated in this section
48 shall become effective only if it complies with and is subject to all of
49 the provisions of chapter 536, and, if applicable, section 536.028. This
50 section and chapter 536 are nonseverable and if any of the powers
51 vested with the general assembly pursuant to chapter 536, to review, to
52 delay the effective date, or to disapprove and annul a rule are
53 subsequently held unconstitutional, then the grant of rulemaking
54 authority and any rule proposed or adopted after August 28, 2013, shall
55 be invalid and void.

173.1525. 1. When the total amount of funds appropriated to the
2 public institutions in a fiscal year exceeds or is equal to the total
3 amount of funds appropriated to the public institutions in the prior

4 **fiscal year:**

5 (1) **No operating appropriation for fiscal year 2015 for any public**
6 **institution of higher education calculated under sections 173.1500 to**
7 **173.1515 shall result in less than ninety-eight percent of the amount**
8 **appropriated for the institution in fiscal year 2014, excluding any**
9 **separate line items from the fiscal year 2014 appropriation, except as**
10 **provided in subsection 2 of this section; and**

11 (2) **No operating appropriation for any public institution of**
12 **higher education calculated under sections 173.1500 to 173.1515 for**
13 **fiscal year 2016 and subsequent fiscal years shall result in less than**
14 **ninety-eight percent of the previous fiscal year's amount appropriated**
15 **under sections 173.1500 to 173.1515 until such time as the operating**
16 **appropriation is equal to the institution's target funding level as**
17 **calculated under sections 173.1500 to 173.1515, except as provided in**
18 **subsection 2 of this section.**

19 2. **From the appropriation calculated under subsection 1 of this**
20 **section, ten percent of the funds shall be earmarked and designated as**
21 **performance funding and shall be subject to the provisions of section**
22 **173.1520.**

173.1527. **When the total amount of funds appropriated to the**
2 **public institutions in a fiscal year exceeds or is equal to the total**
3 **amount of funds appropriated to the public institutions in the prior**
4 **fiscal year, each institution shall receive an appropriation equal to the**
5 **sum of:**

6 (1) **The product of:**

7 (a) **The institution's proportionate share of the difference**
8 **between:**

9 a. **The total of the target funding levels for all public**
10 **institutions; and**

11 b. **The current fiscal year appropriation for all public**
12 **institutions; and**

13 (b) **The increase in the total amount of funds appropriated to all**
14 **public institutions from the previous year to the current fiscal year;**
15 **and**

16 (2) **The amount of the appropriation that the institution received**
17 **in the previous fiscal year, provided the institution is not subject to the**
18 **provisions of section 173.1525.**

173.1529. If the total amount of funds appropriated to the public
2 institutions is less than the total amount of funds appropriated to the
3 public institutions in the prior fiscal year, an institution shall receive
4 a percentage of the total amount of funds appropriated equal to the
5 percentage of the total amount of funds the institution received under
6 sections 173.1500 to 173.1515 during the prior fiscal year.

173.1530. 1. Figures for academic support, institutional support,
2 instruction, public service, research, and student services shall be
3 obtained from data reported to IPEDS.

4 2. Unless otherwise specified, calculations used for the higher
5 education funding model under sections 173.1500 to 173.1535 shall use
6 a three-year rolling average of final data obtained through IPEDS,
7 except for fiscal year 2015, for which an average of the final data for
8 fiscal years 2010 and 2011 shall be used.

9 3. If additional definitions are required when implementing or
10 administering the higher education funding model, definitions from
11 IPEDS may be used as needed.

173.1532. 1. When the general assembly appropriates funds for
2 public institutions of higher education

3
4 during the appropriations process, ten percent of each institution's
5 funding shall be earmarked and designated as career placement
6 incentive funding. An institution shall only receive such funding if it
7 satisfies the career placement rates established by the department of
8 higher education pursuant to this section.

9 2. By July 1, 2014, the department of higher education shall
10 develop and adopt a methodology and system that the public
11 institutions shall use for tracking and verifying the career placement
12 rates for their graduates.

13 3. The department's methodology shall also:

14 (1) Track and verify acceptance rates at graduate schools,
15 professional schools, or for institutions in the associate's sector or the
16 statewide technical education institution sector, acceptance rates at a
17 public or private four-year institution; and

18 (2) Identify such acceptance rates in a manner that does not
19 negatively impact an institution's career placement rate.

20 4. The department shall establish benchmarks and parameters

21 against which the public institutions shall be measured.

22 5. The department's methodology shall consider the different
23 conditions and circumstances of the sectors in which the public
24 institutions are categorized.

25 6. The department of higher education shall promulgate such
26 methodology, benchmarks, and parameters through rules and
27 regulations. The department shall update and revise its methodology,
28 benchmarks, and parameters as necessary.

29 7. The coordinating board for higher education and the
30 institutions shall implement the methodology developed pursuant to
31 this section when measuring institutional performance under section
32 173.1520.

 173.1535. 1. The joint committee on education shall review the
2 functionality of the higher education funding model established under
3 sections 173.1500 to 173.1535 every five years beginning in academic
4 year 2018-2019. When conducting its review, the joint committee shall
5 consult with the coordinating board for higher education, the
6 department of higher education, at least two academic researchers, the
7 Midwest Higher Education Compact, and the Education Commission of
8 the States, and may consult with any education foundation that
9 regularly conducts research in the area of state funding for higher
10 education.

11 2. The joint committee shall submit a written report, with any
12 recommendations for legislative action or action by the coordinating
13 board for higher education, the department of higher education, or the
14 institutions, to the secretary of the senate, the chief clerk of the house
15 of representatives, and the coordinating board for higher education.

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